

Registered number: 08927013

**CROSSWORD CYBERSECURITY PLC**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
(Unaudited)**

**FOR THE PERIOD ENDED 30 JUNE 2017**

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## CROSSWORD CYBERSECURITY PLC

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### COMPANY INFORMATION

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<b>DIRECTORS</b>	Sir Richard Dearlove KCMG OBE - Chairman T Ilube Dr D Secher Professor D Stupples A Gueritz G Matthew
<b>REGISTERED NUMBER</b>	08927013
<b>REGISTERED OFFICE</b>	60 Gracechurch Street London EC3V 0HR United Kingdom
<b>INDEPENDENT AUDITORS</b>	MHA MacIntyre Hudson Chartered Accountants & Statutory Auditors New Bridge Street House 30-34 New Bridge Street London EC4V 6BJ
<b>NEX CORPORATE BROKER</b>	Hybridan LLP 20 Ironmonger Lane London EC2V 8EP
<b>NEX CORPORATE ADVISOR</b>	Alfred Henry Corporate Finance Limited Finsgate 5-7 Cranwood Street London EC1V 9EE

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**BUSINESS REVIEW**

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I am delighted to report excellent progress in the first half of 2017. Crossword generated more revenue in the first half of 2017 than we did in the whole of 2016, as we continue to develop Crossword's technology commercialisation business focused exclusively on cyber security.

There is no let up in global cyber security incidents. The first half of 2017 saw one of the biggest and most alarming cyber security challenges to date – the worldwide Wannacry attack. This global cyber event impacted hundreds of thousands of computers worldwide, including crippling NHS hospitals on a large scale, once again thrusting cyber security into the national headlines. It was quickly followed by the Petya ransomware virus that leveraged some of the same techniques. Politics was not immune from cyber incident with the Macron election campaign in France being targeted. The rising concern of cyber attacks on critical infrastructure was evidenced by the attack on Germany's main railways in Frankfurt.

Crossword works with universities to commercialise technology based on their extensive cyber research. In the first half of 2017 we extended the group of universities that we are working with to include Imperial College, Edinburgh University and MIT in the USA. This brings to a total of nine the number of universities that we are involved with: Bristol, Warwick, Coventry, Surrey, South Wales, City, Imperial, Edinburgh and MIT.

Following the end of the period, Crossword announced a major initiative, CyberAI, applying leading edge Artificial Intelligence and Machine Learning techniques to real world cyber security challenges. CyberAI brings together world leading academic researchers from MIT, Imperial College and Edinburgh University with four major companies: a global investment bank, a FTSE 100 retail bank, a multinational insurance company and a big four professional services firm. We are excited about the rich seam of intellectual property that should emerge from our CyberAI initiative for Crossword to commercialise globally.

CyberOwl, the spin out from Coventry University funded by Mercia Fund Management, continues to make strong progress, having been selected for and participated successfully in GCHQ's new Cyber Accelerator. In partnership with the University of Warwick, Crossword completed a Ministry of Defence funded proof of concept for blockchain-enabled smart documents and has developed a plan for further exploitation of the intellectual property emerging from that project.

With the impending introduction of GDPR (General Data Protection Regulation) early next year, our cyber risk product Rizikon, based on City, University of London research, is attracting increased interest both with distribution partners and end user companies. We have developed a version of Rizikon that is designed to enable corporates to assess and monitor the cyber security risks of their large supplier base, as this is a key weakness for many companies. Our specialist cyber security consulting business, Crossword Consulting, goes from strength to strength.

On the corporate front, we raised £145k in a placing and subscription at a 20% premium to the then prevailing share price, primarily to support the new CyberAI initiative. Following the end of the period General Sir Nick Houghton, former Chief of Defence Staff of the British Armed Forces joined Crossword as a senior adviser bringing his considerable knowledge of global security issues to the company as we start to consider international expansion. On 1<sup>st</sup> September Crossword appointed Rob Johnson as Chief Operating Officer. Rob joined from Mercia Technologies plc, the leading AIM listed commercialisation business, where he managed the company's software and internet investments, as well as assessing new investment opportunities; with a particular focus on AI, Cyber Security and Software as a Service. Prior to his role with Mercia, Rob was a successful entrepreneur and has led five technology companies through to successful exits.

**PRINCIPAL RISKS AND UNCERTAINTIES**

The key risks to the Group are as follows:

- failure to develop appropriate commercial opportunities for its emerging products;
- failure to establish commercialisation partnerships with leading research universities;

**BUSINESS REVIEW**

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- competition from existing IP transfer businesses seeking to engage in cyber security commercialisation activity; and
- inability to attract and retain experienced cyber security experts in a highly competitive market.

At present the directors are pleased with progress in these areas and consider these risks are sufficiently mitigated.

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**T Ilube**

Director

6<sup>th</sup> September, 2017

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**CROSSWORD CYBERSECURITY PLC**

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**REPORT OF THE DIRECTORS**

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The directors present the condensed consolidated interim financial statements of the group for the period ended 30 June 2017.

**DIRECTORS**

The directors who served during the period were as follows:

Sir R Dearlove  
T Ilube  
Dr D Secher  
Professor D Stupples  
A Gueritz  
G Matthew

**RESULTS**

The statement of comprehensive income is set out on page 4 and shows the loss for the six month period to 30 June 2017. The group is in an early stage of development and the directors consider the loss for the period to be in line with expectations. The directors do not recommend the payment of a dividend.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME  
FOR THE PERIOD ENDED 30 JUNE 2017

	Note	Unaudited 6 months to 30 June 2017 £	Audited Year ended 31 December 2016 £	Unaudited 6 months to 30 June 2016 £
<b>TURNOVER</b>		396,652	344,736	163,999
Cost of sales		(452,382)	(788,666)	(191,176)
<b>GROSS LOSS</b>		(55,730)	(443,930)	(27,177)
Other operating income – research and development tax credits		-	78,354	-
Administrative expenses		(485,247)	(585,329)	(376,742)
Share-based payments		(44,536)	-	-
Finance income – bank interest receivable		2,882	1,354	1,351
Finance costs – other interest payable		(1,203)	(73)	-
<b>NET LOSS BEFORE TAXATION</b>		(583,834)	(949,624)	(402,568)
Tax expense		(2,133)	(3,267)	(1,523)
<b>LOSS FOR THE PERIOD/YEAR</b>		(585,967)	(952,891)	(404,091)
<b>OTHER COMPREHENSIVE INCOME</b>				
<b>Items that will not be classified to profit or loss</b>				
Foreign Exchange Translation Gain/(Loss)		2,726	6,205	5,812
<b>TOTAL COMPREHENSIVE LOSS</b>		(583,241)	(946,686)	(398,279)
<b>EARNINGS PER SHARE</b>	3	(£0.19)	(£0.39)	(£0.17)

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**CROSSWORD CYBERSECURITY PLC**

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**CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2017**

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Note	Unaudited Group £ 30 June 2017	Audited Group £ 31 Dec 2016	Unaudited Group £ 30 June 2016
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	7,703	2,280	2,815
Intangible assets	624	583	325
Investment in other unlisted investment and subsidiary	31	31	-
<b>Total non-current assets</b>	<b>8,358</b>	<b>2,894</b>	<b>3,140</b>
<b>CURRENT ASSETS</b>			
Trade and other receivables	264,745	178,154	192,500
Cash and cash equivalents	1,067,869	1,548,906	668,445
<b>Total current assets</b>	<b>1,332,614</b>	<b>1,727,060</b>	<b>860,945</b>
<b>TOTAL ASSETS</b>	<b>1,340,972</b>	<b>1,729,954</b>	<b>864,085</b>
<b>EQUITY</b>			
Attributable to the owners of the company			
Share capital	159,173	156,015	119,173
Share premium account	3,555,522	3,413,416	2,080,827
Retained earnings	(2,532,788)	(1,946,821)	(1,398,021)
Translation of foreign operations	5,990	3,264	2,871
Equity Reserve	44,536	-	-
<b>TOTAL EQUITY</b>	<b>1,232,433</b>	<b>1,625,874</b>	<b>804,850</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	108,539	104,080	59,235
<b>Total current liabilities</b>	<b>108,539</b>	<b>104,080</b>	<b>59,235</b>
<b>TOTAL LIABILITIES</b>	<b>108,539</b>	<b>104,080</b>	<b>59,235</b>
<b>TOTAL NET ASSETS</b>	<b>1,340,972</b>	<b>1,729,954</b>	<b>864,085</b>



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**CROSSWORD CYBERSECURITY PLC**

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**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY  
AS AT 30 JUNE 2017**

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<b>GROUP</b>	<b>Share Capital £</b>	<b>Share Premium £</b>	<b>Retained Earnings £</b>	<b>Translation of Foreign Operations £</b>	<b>Equity Reserve</b>	<b>Total £</b>
At 1 January 2017	156,015	3,413,416	(1,946,821)	3,264		1,625,874
Total comprehensive loss for the period	-		(585,967)	2,726		(583,241)
Issue of shares	3,158	142,106	-	-		145,264
Share-based payments	-	-	-	-	44,536	44,536
<b>Balance at 30 June 2017</b>	<b>159,173</b>	<b>3,555,522</b>	<b>(2,532,788)</b>	<b>5,990</b>	<b>44,536</b>	<b>1,232,433</b>

	<b>Share Capital £</b>	<b>Share Premium £</b>	<b>Retained Earnings £</b>	<b>Translation of Foreign Operations £</b>	<b>Total £</b>
At 1 January 2016	119,173	2,080,827	(993,930)	(2,941)	1,203,129
Total comprehensive loss for the period	-	-	(952,891)	6,205	(946,686)
Issue of shares	36,842	1,332,589	-	-	1,369,431
<b>Balance at 31 December 2016</b>	<b>156,015</b>	<b>3,413,416</b>	<b>(1,946,821)</b>	<b>3,264</b>	<b>1,625,874</b>

	<b>Share Capital £</b>	<b>Share Premium £</b>	<b>Retained Earnings £</b>	<b>Translation of Foreign Operations £</b>	<b>Total £</b>
At 1 January 2016	119,173	2,080,827	(993,930)	(2,941)	1,203,129
Total comprehensive loss for the period	-	-	(404,091)	5,812	(398,279)
<b>Balance at 30 June 2016</b>	<b>119,173</b>	<b>2,080,827</b>	<b>(1,398,021)</b>	<b>2,871</b>	<b>804,850</b>

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS  
FOR THE PERIOD ENDED 30 JUNE 2017**

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	Unaudited 30 June 2017 £	Audited 31 Dec 2016 £	Unaudited 30 June 2016 £
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated by operations	(621,805)	(1,053,300)	(564,344)
<b>NET CASH OUTFLOW FROM OPERATING ACTIVITIES</b>	<b>(621,805)</b>	<b>(1,053,300)</b>	<b>(564,344)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	(7,222)	(880)	(504)
Purchase of shares in other unlisted investment	-	(31)	-
<b>NET CASH OUTFLOW FROM INVESTING ACTIVITIES</b>	<b>(7,222)</b>	<b>(911)</b>	<b>(504)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares	145,264	1,369,431	-
<b>NET CASH INFLOW FROM INVESTING ACTIVITIES</b>	<b>145,264</b>	<b>1,369,431</b>	<b>-</b>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(483,763)</b>	<b>315,220</b>	<b>(564,848)</b>
<b>FOREIGN CURRENCY TRANSLATION DIFFERENCE</b>	<b>2,726</b>	<b>6,205</b>	<b>5,812</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>1,548,906</b>	<b>1,227,481</b>	<b>1,227,481</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>1,067,869</b>	<b>1,548,906</b>	<b>668,445</b>

Cash and cash equivalents relate solely to amounts held on demand at recognised financial institutions.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 JUNE 2017**

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**1. ACCOUNTING POLICIES**

**1. The Group and its operations**

Crossword Cybersecurity plc's condensed consolidated interim financial statements (the interim financial statements) are presented in pounds sterling (£), which is also the functional currency of the parent company. These interim financial statements were approved for issue by the Board of Directors on 6 September 2017.

The financial information set out in these interim financial statements does **not** constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The Group's statutory financial statements for the year ended 31 December 2016 have been filed with the Registrar of Companies. The auditor's report on those financial statements was unqualified and did not contain a statement under Section 498(2) of the Companies Act 2006.

The interim results have not been reviewed by the auditors of the Company.

**2. Basis of preparation of financial statements**

These interim financial statements are for the six month period ended 30 June 2017. They have been prepared following the recognition and measurement principles of IFRS. They do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2016.

These interim financial statements have been prepared on a going concern basis, under the historical cost convention.

These interim financial statements have been prepared in accordance with the accounting policies adopted in the last annual financial statements for the year to 31 December 2016.

**3. Earnings per share**

The calculation of earnings per share is based on the loss attributable to ordinary shareholders divided by the average number of shares in issue during the period.